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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

In re:

SOLUTIA INC., et al.,

Debtors.

Chapter 11

Case No. 03-17949 (PCB)

(Jointly Administered)

**NOTICE OF HEARING ON APPLICATION OF THE OFFICIAL COMMITTEE OF UNSECURED  
CREDITORS FOR ORDER AUTHORIZING THE EMPLOYMENT OF HOULIHAN LOKEY HOWARD  
& ZUKIN CAPITAL AS FINANCIAL ADVISOR PURSUANT TO SECTIONS 328(a) AND 1103(a) OF  
THE BANKRUPTCY CODE, NUNC PRO TUNC TO JANUARY 5, 2004**

TO ALL CREDITORS OF THE DEBTORS:

PLEASE TAKE NOTICE that the Official Committee of Unsecured Creditors (the "Committee") of Solutia Inc., and its affiliated debtors and debtors in possession (collectively, the "Debtors"), seek entry of an Order approving, on a permanent basis, the Application of the Official Committee of Unsecured Creditors of Solutia Inc. et al. to Retain Houlihan Lokey Howard & Zukin Capital as Financial Advisor, Nunc Pro Tunc to January 5, 2004 (the "Application").

PLEASE TAKE FURTHER NOTICE that a hearing on interim approval of the Application was held on March 3, 2004 at 2:30 p.m. (ET) at the United States Bankruptcy Court, United States Custom House, One Bowling Green, New York, New York 10004.

PLEASE TAKE FURTHER NOTICE that, if any party objects to the Application before May 19, 2004 at 5:00 p.m., a final hearing on the Application will be held on May 26, 2004, at 2:30 p.m. (ET) at the United States Bankruptcy Court, United States Custom House, One Bowling Green, New York, New York 10004. If no timely objections are filed by May 19, 2004 at 5:00 p.m., the Order shall be deemed a final order without further notice or hearing, and the Application shall be approved, and Houlihan's retention shall be made effective permanently nunc pro tunc to January 5, 2004.

PLEASE TAKE FURTHER NOTICE that responses or objections, if any, to the Application must comply with the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, must be set forth in a writing describing the basis therefore and must be filed with the Court electronically in accordance with General Orders M-182 and M-193 by registered users of the Court's electronic case filing system (the User's Manual for the Electronic Case Filing System can be found at [www.nysb.uscourts.gov](http://www.nysb.uscourts.gov), the official website for the Bankruptcy Court) and, by all other parties in interest, on a 3-1/2 inch disk, preferably in Portable Document Format (PDF), Word Perfect or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and served in accordance with General Order M-182 or by first-class mail upon each of the following:

(i) proposed counsel to the Committee, Akin Gump Strauss Hauer & Feld LLP, 590 Madison Avenue, New York, New York 10022-2524, Attn.: Daniel H. Golden, Esq. and Ira S. Dizengoff, Esq.; (ii) counsel to the Debtors, Gibson, Dunn & Crutcher, LLP, 200 Park Avenue, New York, NY 10166-0193, Attn.: Conor D. Reilly, Esq.; (iii) the Office of the United States Trustee, Southern District of New York, 33 Whitehall Street, 21<sup>st</sup> Floor, New York, New York 10004, Attn.: Greg M. Zipes Esq.; (iv) Skadden, Arps, Slate, Meagher & Flom LLP, 333 West Wacker Drive, Chicago, Illinois 60606, Attn.: Timothy R. Pohl, Esq. and Samuel S. Ory, Esq.; (v) Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York 10036, Attn.: Bennett S. Silverberg, Esq., counsel for agents for the Debtors' postpetition secured lenders; (vi) Weil Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153, Attn.: John Rapisardi, Esq., counsel for the prepetition ad hoc committee of Solutia senior secured noteholders; and (vii) all persons or entities that have served and filed notices of appearance in these chapter 11 cases pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure, so as to be received not later than **5:00 p.m. on May 19, 2004**. Only those responses and objections, if any, made in writing and timely filed and received will be considered at the hearing. Any such response must state with specificity the reason or reasons why the relief requested in the Application should not be granted.

PLEASE TAKE FURTHER NOTICE that any objections to the Application (i) must be in writing, (ii) must conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, and (iii) must be filed with the Bankruptcy Court electronically in accordance with General Order M-182 (General Order M-182 and the User's Manual for the Electronic Case Filing System can be found at [www.nysb.uscourts.gov](http://www.nysb.uscourts.gov), the official website for the Bankruptcy Court), by registered users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect or any other Windows-based word processing format (with a hard copy delivered directly to chambers).

PLEASE TAKE FURTHER NOTICE that pursuant to the Application, the Committee seeks to retain Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey") to provide the following services for the Committee:

- a. Evaluating the assets and liabilities of the Debtors;
- b. Analyzing and reviewing the financial and operating statements of the Debtors;
- c. Analyzing the business plans and forecasts of the Debtors;
- d. Evaluating all aspects of the Debtors' near term liquidity, including all available financing alternatives;
- e. Providing such specific valuation or other financial analyses as the Official Committee may require in connection with the financial restructuring;
- f. Representing the Official Committee in negotiations with the Debtors and third parties;
- g. Assessing the financial issues and options concerning any proposed Transaction; and
- h. Analyzing and explaining any Transaction to various constituencies.

PLEASE TAKE FURTHER NOTICE that, if Houlihan Lokey's retention is approved on a permanent basis, Houlihan Lokey will be entitled to receive the following compensation:

- a. A Monthly Fee of \$150,000;

- b. Upon the closing or consummation of a Transaction, the Debtors shall pay Houlihan Lokey, a Base Fee of \$1,000,000 plus an Incentive Fee (collectively, the "Transaction Fee"). The Incentive Fee is equal to 1.0% of general unsecured creditor recoveries greater than 35% of the allowed general unsecured creditor claims (as can best be estimated as of the confirmation date) based on the value of such recoveries as set forth in a court approved disclosure statement (as may be modified by the final confirmation order) or in the absence thereof, agreed upon by Houlihan Lokey and the Official Committee. The Transaction Fee is payable in cash.
- c. Reimbursement of all reasonable out-of-pocket expenses.

**PLEASE TAKE FURTHER NOTICE that if the Application is granted, as more fully described in the Application and subject to certain conditions, the Debtors shall indemnify and hold Houlihan Lokey harmless against any and all losses, claims, damages or liabilities in connection with the engagement, except to the extent they result from Houlihan Lokey's gross negligence, willful misconduct, bad faith or self-dealing in connection with the performance of their services.**

PLEASE TAKE FURTHER NOTICE that the foregoing summary of certain elements of the retention is not complete and that the full terms of the retention are contained in the Application and the letter agreement, dated as of January 5, 2004, containing the terms of Houlihan Lokey's employment in these chapter 11 cases (the "Official Committee Engagement Letter"), which is annexed to the Application as Exhibit A. The Application and the Official Committee Engagement Letter are available for inspection at the Office of the Clerk for the Bankruptcy Court and on the Bankruptcy Court's Internet site at [www.nysb.uscourts.gov](http://www.nysb.uscourts.gov), through an account obtained from Pacer Service Center at 1-800-676-6856, or 1-210-301-6440, or [www.pacer.psc.uscourts.gov](http://www.pacer.psc.uscourts.gov). To the extent that the summary of the retention terms set forth in this notice conflict with the terms of the Official Committee Engagement Letter, the terms of the Official Committee Engagement Letter shall control.

**PLEASE TAKE FURTHER NOTICE that if you do not object by the objection deadline above, your rights to subsequently object to the compensation of Houlihan Lokey will be affected and subject to the heightened standard of review enumerated in section 328 of title 11 of the United States Code.**

Dated: New York, New York  
April 12, 2004

**AKIN GUMP STRAUSS HAUER & FELD LLP**

By: /s/

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